South of Market Business Association
520 Third St.
Suite 505
San Francisco, CA
94107

415/543-1987

SOMBA

88 02095

November 21, 1988

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The Hon. Harry Britt, Land Use Committee
The Hon. Wendy Nelder, Land Use Committee
The Hon. Doris Ward, Land Use Committee
Board of Supervisors
City Hall, Room 235
San Francisco, CA 94102

Re: South of Market Plan

Dear Supervisors Britt, Nelder and Ward:

Our main objections to the South of Market Plan are best outlined in our enclosed general petition letter. This plan, which comes before the Land Use Committee on November 29th must be sent back to City Planning with strong recommendations from you for significant modification.

SOMBA represents a membership of extremely diverse interests and industries, yet when it comes to this plan, the agreement is unanimous that it is stagnate and backward looking, discriminatory and anti-business, and economically unsound.

We are aware that other groups representing specific causes have opinions regarding this plan and that recommendations to you will range from totally scrapping it to enacting it as proposed making without any changes.

We believe our recommendations as set forth below can satisfy the needs of the majority, recognize the many years of labor City Planning has put into this plan, and truly represent a reasonable compromise position that makes the plan workable and economically balanced.

ELEMENTS OF THE PLAN THAT SHOULD BE RETAINED:

(1) **Reduced density and height limits:** High rise development is inappropriate for South of Market and no one wishes in any way to encourage a second financial district.

(2) **Artist live/work space:** The arts and arts-related community is a vital and important element of South of Market which must be encouraged to remain.

(3) **Provision for open space:** South of Market with its wide streets and wonderful weather should have more public open space.

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(4) **Establishment of an offstreet parking fund:** Parking is as critical South of Market as elsewhere in the City. We further would like to see a comprehensive traffic and transportation plan developed for the area.

(5) **Preservation of existing housing resources:** Any and all housing stock in the City should absolutely be preserved.

ELEMENTS OF THE PLAN THAT MUST BE MODIFIED:

(1) **Enlarge the Service Secondary Office (SSO) district:** We recommend restoring the SSO district as outlined in the October, 1986 Interim Controls. Although barely tolerable, these boundaries at least represented a reasonable compromise and a more consistent transitional zoning corridor between the financial district, Yerba Buena Center and South Beach Redevelopment areas and Mission Bay. The diminished SSO district proposed in the current plan would prohibit almost 100 categories of businesses from locating into over 90% of the total plan area (approximately 500 acres). We do not understand the rationale for such an extreme zoning imbalance.

(2) **Allow small office space on floors above ground level:** There is a proliferation of small, rent-sensitive office users now existing throughout the plan area. SOMBA's mailing list contains thousands of businesses that would become non-conforming uses if this plan is not changed. These businesses would be unable to expand and new small businesses would be prohibitted in over 90% of the plan area.

We recommend that businesses including "office" users be permitted in the RSD, SLR and SLI zoning districts of the plan above the ground floor with a size limitation. Such limitations are in effect in other areas of the City (Union Square has a C-3-R district with an office size limitation of approximately 5,000 square feet). This would prevent large office users from occupying these spaces while providing opportunities for incubator, start-up firms. This would also preserve ground floors for service and industrial users, who generally do not want upper floor spaces.

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(3) **Redefine the use category for design professionals:** Design professionals (architects, engineers, interior designers, landscape architects, etc.) require greater amounts of space per employee and tend to occupy open studios, not offices. Many firms are small and have come South of Market because they cannot afford downtown rents.

We recommend removing design studios and design professionals from the "office" user category and reclassifying them as a business "service" industry so they would be permitted to located throughout the South of Market area, as they do now.

(4) **Provide greater incentive for housing:** The plan drastically lacks incentive for housing development, prohibiting all housing development in the largest zoning area (SLI) except for low-income housing. While such housing should be encouraged, there is no reason to prohibit all other housing options.

We recommend permitting housing in the SLI district as a conditional use, just as it is permitted in the SSO district. Percentage guidelines for low-income and affordable housing such as those imposed by the Redevelopment Agency in their projects could be imposed to assure diversity and balance.

In conclusion, we believe that South of Market, what it is and what it will become, is critically important to the economic stability of San Francisco. We cannot allow so large and so vital a resource to the developing small business community to be cut off by short sighted planning policies. Nor can we turn our back on underused land areas that offer housing opportunties.

This plan must be sent back to City Planning with strong recommendations from you for the modifications we have outlined above.

Most sincererly,

Tricia James

TRICIA JAMES,
Executive Director

TJ/ps/Encls.

cc: Dean Macris, Department of City Planning
George Williams, Department of City Planning
Susana Montana, Department of City Planning

South of Market Business Association
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94107

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SOMBA

November 17, 1988

Mr. James McCormick
Office of Environmental Review
450 McAllister Street
San Francisco, CA 94102

Re: South of Market Plan
Draft EIR, No. 85.463E

Dear Mr. McCormick:

On behalf of SOMBA's 532 member businesses, and on behalf of the entire South of Market business community, we would like to comment on the above referenced document as follows:

First and foremost, we must state that since we cannot endorse the proposed South of Market Plan upon which this draft EIR is based, it is difficult at best to make any comments on the EIR until the underlying South of Market Plan itself has been significantly modified. However, certain obvious elements should be noted.

(1) The data upon which this draft EIR is based is completely outdated and inaccurate. This data is anywhere from 3 - 7 years old, and many factors have changed in the City and in South of Market, i.e., office vacancy rates, employment figures and percentages of start-up businesses, which make the forecasts for future supply and demand highly questionable based on this data.

(2) The entire draft EIR is based on the October, 1986 interim zoning boundaries, which have been significantly altered in the current proposed Plan. Therefore, the EIR's projected impacts on supply and demand for space, employment opportunities, and possible displacement of industries have also been significantly altered and are now totally inaccurate.

(3) The employment and space forecasts contained in the draft EIR do not reflect the actual long term impact of the Plan, since they do not go beyond the year 2000. A forecast period of at least 20 years is more in keeping with the actual impact this Plan will have on the area and citywide.

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(4) The description of existing uses fails to include officer users, when this has clearly become a substantial use category in the South of Market area. We have some 5,000 - 6,000 businesses on our computer mailing list that are within the defined boundaries of the Plan, the majority of whom are uses that would be prohibitted in over 90% of the proposed Plan area if enacted. The draft EIR further fails to address the impact to these existing businesses of being forced out of the Plan area due to rezoning.

(5) There is no factual basis for the assumption made in the draft EIR that industrial and service users will remain in the area if office users are prohibitted. Aborption figures in the area for the past 5 - 6 years clearly indicate that these users do not necessarily desire to be in South of Market for many reasons other than displacement by office users.

In conclusion, we feel that the draft EIR, together with the South of Market Plan itself, needs serious revision before being enacted. We strongly recommend updating the economic data and working in closer harmony with those users most significantly affected by the Plan, i.e., the South of Market business community.

Most sincerely,

Tricia James

TRICIA JAMES,
Executive Director

TJ:ps

cc: Members, City Planning Commission
Members, Board of Supervisors
Members, BASIC
Deputy Mayor James Ho

South of Market Business Association
520 Third St.
Suite 505
San Francisco, CA
94107

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SOMBA

PLEASE STOP WHATEVER YOU ARE DOING AND READ THIS NOTICE!!!

Whether you are a South of Market resident, businessperson, property owner, tenant or other concerned party, we urge you to join with us in preventing an economically disastrous Plan from being enacted.

The South of Market Plan will shortly come before the Board of Supervisors for approval. This plan attempts to dictate what kinds of businesses can exist in the South of Market area by arbitrarily carving up almost 500 acres into zones that allow only certain types of industry to develop. The intent is to restrict business development and preserve light and heavy industry, whether or not those industries want to be here. The plan would also severely restrict housing development.

Carefully study the enclosed list of uses that would be prohibited in over 90% of the total plan area and look at the map on the back side showing the proposed zones. Then read the general petition letter we have included for your signature and see if you don't agree with us that this plan must be stopped!

We urge you to:

SIGN THE GENERAL PETITION LETTER AND RETURN IT TO US IMMEDIATELY.

Thank you,

Tricia James

TRICIA JAMES,
Executive Director

TJ/ps/Encls.

November, 1988

Board of Supervisors
City Hall, Room 235
San Francisco, CA 94102

Dear Supervisors:

The South of Market Plan, having received approval from the Planning Commission, will shortly come before you for your vote.

The policies laid out in the South of Market Plan will:

(1) fail to achieve the goals of the Plan,
(2) frustrate rational development,
(3) cause substantial waste and inefficiency,
(4) retard economic growth and change in South of Market and the City itself.

This Plan is:

A. STAGNATE AND BACKWARD LOOKING:

It is a misguided and futile attempt at best to preserve and seek to lure industries to South of Market who do not wish to be there. In trying to preserve and protect industries that have found it economically unfeasible to locate into South of Market, the Plan miserably fails to acknowledge the rights of hundreds of categories of businesses that now do exist throughout the total Plan area and more businesses in these categories who do desire to locate into South of Market.

Under this Plan, well over 50% of the existing businesses would become non-conforming uses, creating severe complications for expansion, relocation and financing. Such complex restrictions lead to appeals, exemptions, and litigations, which cause disrespect for the law and the planning process.

B. DISCRIMINATORY AND SOCIALLY DIVISIVE:

We strenuously object to the attempt by the City Planning Department to dictate what kind of businesses have a right to exist and survive. It is difficult to understand what public interest is served in protecting one type of business over another. The City should not write into law a position which pits one societal group against another.

C. ECONOMICALLY UNSOUND:

It would strangle the growth of small, rent-sensitive businesses by outlawing their existence in over 90% of the total Plan area. Almost 100 categories of businesses would be prohibited. The banned business list includes architects, consultants, computer services, doctors and dentists, engineers, graphic designers, travel agencies and even non-profit organizations and business associations such as SOMBA.

There is every reason to believe industrial firms will continue to leave the area, even if the Plan is implemented. by disproportionately discouraging small business development, the area will lose even further employment and the City will lose tax revenue. The City should consider fully the consequences of such a policy, especially as it applies to tax revenues.

(Please turn page over)

This Plan further fails to provide opportunity or incentive for housing development, when this has clearly been defined as a critical citywide need.

Therefore, if enacted as proposed, the South of Market Plan would have a most serious, negative affect on the economic vitality of the South of Market area and on the City as a whole. City Planning should clearly be instructed to go back to the drawing board and come up with a plan that benefits the City economically, instead of one that hamstrings it at a time when we can ill afford the consequences.

By signature below, I urgently urge you to vote against approval of the South of Market Plan as proposed.

SIGNATURE _____ DATE _____

PRINTED NAME _____

NAME OF BUSINESS _____

ADDRESS _____ TELEPHONE _____

ADDITIONAL COMMENTS: _____

(Please fold so our return address shows, place stamp and mail immediately.)

Place
Stamp
Here

SOMBA
South of Market Business Association
520 Third Street, Suite 505
San Francisco, CA 94107

South of Market Business Association
520 Third St.
Suite 505
San Francisco, CA
94107

415/543-1987

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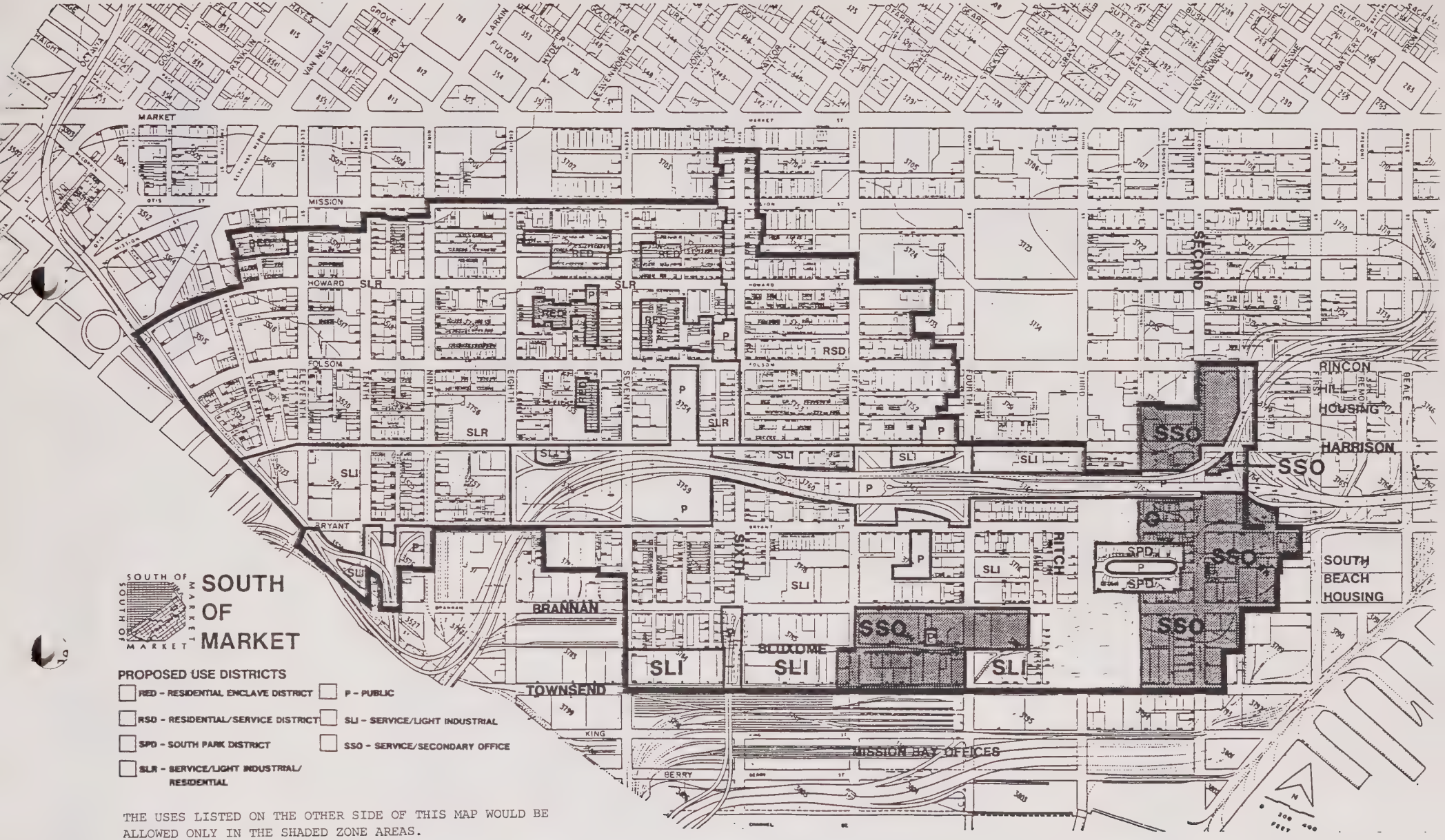
THE FOLLOWING USE CATEGORIES WOULD BE PROHIBITED IN OVER 90% OF SOUTH OF MARKET UNDER THE PROPOSED SOUTH OF MARKET PLAN:

1 Accountant
2 Advertising Agency
3 Advertising Research
4 Adv/Graphic Design
5 Arch/R.E./Const Svc
6 Architects
7 Arch Code Consultant
8 Arch Lighting Design
9 Arch Signage Design
10 Arch Specifications
11 Attorney
12 Auctioneer
13 Broker
14 Bldg Materials Broker
15 Business Assoc Offices
16 Commercial Designers
17 Commercial Illustrator
18 Computer Consultant
19 Computer Design
20 Computer Graphics
21 Computer Graphics School
22 Computer Services
23 Computer Software Dev
24 Construction Management
25 Consltnt-Communications
26 Consltnt-Corporate
27 Consltnt-Corporate Instr
28 Consltnt-Dental Mngmnt
29 Consltnt-Health Care
30 Consltnt-Management
31 Consltnt-Marketing
32 Consltnt-Org & Behavior
33 Consltnt - R.E.
34 Consltnt-Transportn
35 Consultant
36 Copywriter
37 Eng-Acoustical
38 Eng-Civil
39 Eng-Consultant
40 Eng-Electrical
41 Eng-Forensic
42 Eng-Mechanical
43 Eng-Structural
44 Eng-Struc/Civil
45 Eng-Traffic/Civil
46 Engineers
47 Environ Planner
48 Exhibit Designer
49 Finance & Insurance
50 Financial Consltng
51 Financial Mngmnt
52 Food Brokers
53 Graphic Designers
54 Imp/Exp Offices
55 Industrial Design
56 Information Systems
57 Insurance Broker
58 Interior Design
59 Intnl Shipping Ofcs
60 Investment Company
61 Investments
62 Land Developers
63 Landscape Architect
64 Learning Systems
65 Manufacturers Reps
66 Marketing Consultants
67 Medical/Dental Office
68 Non-Profit Organization
69 Photography-Advertising
70 Planner
71 Print Broker
72 Product Design
73 Product Dev Engineers
74 Professional Society
75 Property Investment
76 Property Management
77 Public Relations
78 Publishers Offices
79 R&D Microcomputer Prod
80 R.E. Broker
81 R.E. Development
82 R.E. Management
83 Research & Development
84 Residential
85 Security Offices
86 Senior Residential
87 Signs/Graphics Design
88 Space Planner
89 Travel Agency
90 Urban Planner

THE USES LISTED HERE WOULD BE ALLOWED ONLY IN THE SHADED AREAS SHOWN ON THE MAP ON THE OTHER SIDE OF THIS PAGE.



THE USES LISTED ON THE OTHER SIDE OF THIS MAP WOULD BE ALLOWED ONLY IN THE SHADED ZONE AREAS.

SOMBA

South of Market Business Association Newsletter

September/October 1988 Vol. 11 No. 1

THE SOUTH OF MARKET PLAN: Shaping Or Destroying The City's Future?

Tricia James
Executive Director

For those of you struggling to understand the complicated and ever restrictive direction of zoning controls for the South of Market area, we will try to offer a brief history and analysis of The Plan, its economic impacts on the area and on San Francisco as a whole.

In the early 1980's, with leasing rates in the downtown office market climbing up, up, up, some real estate developers turned their attention to South of Market and undertook substantial renovations of warehouse buildings, hoping to compete with Class A office space and to undercut the rates in the downtown area. Some concerned legislators at City Hall, led by Supervisor Bill Maher, put a screeching halt to this budding speculation by imposing a moratorium on any new construction and renovation in the area, followed by a directive to the City Planning Department to come up with a comprehensive zoning "Plan" for the area.

Interim Zoning Controls were first published in July, 1986, after an almost four year study of neighborhood conditions and existing building uses compiled by City Planning staff. The principal idea and philosophy behind The Plan was and always has been the "preservation" of the area for service and industrial users, along with low to moderate income housing. As The Plan evolved, some other interesting elements were thrown in, reflecting some of the sympathetic special interests of City Planning staff responsible for writing The Plan. Artists and nightclubs were included as part of the overall emerging South of Market neighborhood mix.

When SOMBA was formed in September, 1986, we began to follow The Plan closely and established working relationships with City Planning staff. We went on record in early Public Hearings as in general supporting the need for a plan for the area so that the community would not be held in a state of economic uncertainty for lack of zoning direction and policy. This general statement was always made with the caveat that we reserved the right to comment further on specific portions of The Plan and its various applications as they affected the area's growing business community. Although from the outset we have strongly disagreed with the notion of creating static zoning corridors, we were inclined to try and work within the framework proposed by City Planning, since the process had already taken so many years.

The inherent problems in trying to arbitrarily carve up an area withsuch an incredibly diverse proliferation of uses are many and difficult. It is that very "mixed use" element which has made South of Market such a vibrant alternative area in the past decade. We have never advocated over gentrification or over development. We have concurred with City Planning's recommendations for height limitations, parking requirements, good neighbor policies, open space and preservation of existing housing stock.

Continued on Page 6

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SOUTH OF MARKET PLAN *(From Page 1)*

Yet in the six years City Planning has devoted to creating a plan that will "preserve" the area for service, low income housing and industry, things have changed, not just in South of Market but in San Francisco as a whole. While City Hall put South of Market on the back burner, the area developed in spite of and in a totally different direction than the one intended by The Plan. San Francisco has seen the significant exodus and loss of jobs from not only large corporations, but also so-called "industrial" companies. South of Market is no longer home to the printing industry as it once existed in San Francisco. One of the last truly heavy industrial companies, Gallo Salame, does not wish to remain in the area. The physical characteristics of many South of Market buildings are not suitable for modern industrial uses (multi-story, short column widths, low ceilings, inadequate loading facitlities, congested roads).

So just who does exist now in South of Market? Over this six year planning exercise the predominant influx into the area has been rent-sensitive, small business operations of less than 30 people. Some 5,000 to 6,000 of these businesses are located in the South of Market area outlined in The Plan, which incorporates an area of some 600 acres (roughly from 1st to 12th, Mission to Townsend). We know. We have their names, addresses and phone numbers on our computer. The significant majority of these businesses fall under the category of "secondary office" user as defined in The Plan, yet under the most current published version of The Plan these users would be allowed to acquire space in less than 10% of the total area outlined. Many landlords rented vacated industrial space to small office/service tenants unable to afford downtown rents and invested in upgrading their buildings in reliance on prior zoning. The proposed rezoning would halt this transition at a time when industrial tenants are uninterested in leasing space. Many tenants would become nonconforming uses and it would be very difficult to find new tenants to occupy these buildings. More area for secondary office users had been allocated under previous versions of The Plan, but in an apparent attempt to interpret Prop M into the latest draft, City Planning staff had a rather overzealous fit of downzoning.

The interesting quirk in the application of Prop M to The Plan is that new studies show a tightening commercial real estate market could pull vacancy rates down to as low as 4% by the early 1990's. Some think Prop M is creating the same scenario we had in the early 1980's when downtown rents skyrocketed due to low vacancy rates. Small businesses were devastated and corporations took flight to the East Bay for cheaper space. The question seems not to be if an office space shortage will occur, but when. So other questions now arise -- is The Plan truly consistent with what actually exists South of Market today and is it consistent with the future needs of San Francisco?

Another significant factor in our analysis of whether or not The Plan is appropriate for the area, is pure economics. While rents remain relatively low for rental space South of Market, land costs have risen and new construction and renovation costs, especially if any seismic work is required, make converting existing space for an industrial user near impossible financially. Banks will not finance seismic reinforcement unless space is rentable. South of Market is simply no longer competitive for this kind of user. Any real estate broker or leasing agent in town can tell you that large scale industrial users (as well as large back office users) are going to South San Francisco, to Hayward, to other areas where they can get new, improved space with plenty of parking, more favorable lease terms and better financing. Add to this equation San Francisco's unbelievably high business tax rate, parking congestion and gridlock commute conditions, the frustrations of dealing with a hopelessly snarled beaurocracy at City Hall and an unfavorable business climate, and its easy to see why South of Market has no competitive edge for attracting this kind of user.

Wells Fargo Bank's chief economist, Joseph Wahed, forecast in a report published in June, 1987 that San Francisco could have a robust economy only if it could sidestep restrictions on growth and development. San Francisco must work harder to improve its business image, reduce obstacles to growth and spend more on improving its infrastructure. Further government restrictions on business, such as the Downtown Plan, Proposition M and high payroll and hotel taxes, will retard San Francisco's' economic progress, the economist wrote in his study.

Continued on Page 8

SOUTH OF MARKET PLAN *(From Page 6)*

In an interview published in the Chronicle, he emphasized that the key to San Francisco's growth will be how quickly it completes developments in the South of Market area. "If San Francisco completely ignores the South of Market and delays its development because of city politics and city planning ordinances, then we have to seriously revise our forecasts," Wahed said. "There just is no other space to develop."

Wahed said San Francisco's other major task will be to regain its stature as a national and international headquarters city. It lost almost 46,000 jobs in the past decade because corporations consolidated or moved. Much of the job loss was made up by smaller companies, but Wahed warned that might not continue. "The growth of small business is in large part due to the dynamics of San Francisco as a corporate headquarters and financial center, he said. "Small businesses will not continue to grow forever unless San Francisco has a strong base as a corporate headquarters."

SOMBA's Chairman of the Board, Elbert Bressie, in response to the latest version of The Plan said, "I feel and maintain that such an interference in the commercial life of a city is economically shortsighted, harmful and socially dangerous. I believe that all cities change in response to the needs of the people who live and work there. A wise zoning plan is one that allows maximum freedom of self-determination both social, economic and intellectual for its constituency and provides protection from dangerous, disagreeable or socially debilitating circumstances. Freedom to practice one's work and earn a livelihood should not be outlawed through zoning or other means unless it is harmful to others or of a criminal nature."

SOMBA believes that at so critical a time in San Francisco's future, we simply cannot afford the risk of strangling the economic vitality of so large an area. We intend to continue pressing our points, with your help, to the City Planning Commission, the Board of Supervisors and the Mayor's Office. We will keep you updated on the schedule of public hearings regarding The Plan.

Letters of concern from you as the people most affected by The Plan can be of great assistance in persuading our legislators to make needed modifications and changes. All but one member of the Planning Commission has been newly appointed by Mayor Agnos and for the most part, none of them have any real working knowledge about South of Market. Letters to the Planning Commission may be addressed to President Susan Bierman, City Planning Commission, Department of City Planning, 450 McAllister Street, San Francisco, Ca 94102. Once The Plan leaves the Planning Commission , it goes to the Board of Supervisors and then on to the Mayor.

SOMBA

South of Market Business Association

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San Francisco Chronicle

Sunday, December 4, 1988

Planning Straitjacket

PRESERVATION OF THE physical health and economic vigor of our cities stands as a primary challenge for this changing nation. One of the deeply troubling aspects of recent years has been the sight of once-solid sections of our great metropolises turning into stagnant cesspools of despair. Those staring, vacant buildings in New York's South Bronx are classic examples of what can happen.

Civic planners must use extreme care when they take it upon themselves to map a strategy for the future. They must be sensitive to an area's needs, its potential. They must take care not to kill a neighborhood's vitality in pursuit of some unrealistic exercise in bureaucratic restructuring.

All of this brings us to the controversial zoning plan that has been approved by the San Francisco Planning Commission for the South-of-Market area in this city. This project is probably the result of well-intentioned compromises. But it is also the wrong approach to preserving an important city sector — an area with both problems and great promise.

The plan is an effort to preserve the industrial uses that have marked South-of-Market in the past. It strictly limits new offices. Highrises are banned. The emphasis is on light industry, entertainment and affordable housing for the 50-block district roughly bounded by 13th, Townsend, First and Mission streets.

In short, the plan puts the neighborhood in a zoning straitjacket. It looks backward to a time that was not all that prosperous, and says: "Let's keep it that way."

This kind of restriction of the free market strikes us as an inflexible and misguided way to approach the challenge. Why force blue-collar jobs on an area that surely stands to benefit more from other uses? Why limit the ability to expand and grow with changing times?

We were pleased last week to find these reservations confirmed in a study released by the Pacific Research Organization for Public Policy. The rezoning plan, said the research firm, is "based on a concept of the city that existed a decade or more ago, not today."

Pacific Research noted the plan has "superficially attractive" goals, like the preservation of some diversity in an old neighborhood. But, the study's authors added wryly, it "certainly challenges the imagination" to see how diversity is promoted by allowing only specified activities in certain areas.

"The changing nature of the modern workforce, with its emphasis on the service sector, means that proportionately more workers are white-collar," the study said. "Even printing, which used to be almost entirely a blue-collar industry, is now done extensively on word processing machines by individuals with white shirts and ties. Will this business be disallowed?"

Pacific Research points out that the plan raises a fundamental question of equity: "Owners of property — the landlords who will be unable to obtain market rents as a result of this plan — will suffer serious losses. These landlords thought they had the right to convert their property to offices or other uses, and thought they could defer development until time and circumstances were right. For most, that right would be taken away by the plan, without compensation."

The authors of the study penetrate to the heart of the matter with the statement that by prohibiting office conversion, the rezoning plan in effect mandates rent control by keeping out businesses that are likely to offer higher rents. "The effect of rent control is almost always to lower the profitability of a building."

That reduces incentive to maintain the building. The area goes into decline and the result is the kind of urban disease mentioned in the opening paragraphs.

★ ★ ★

SOUTH-OF-MARKET needs the opportunity to breathe, to expand, to foster its own essential dynamism. It does not need the stifling strictures of this rezoning plan.

San Francisco Chronicle

Tuesday, November 29, 1988

Report Critical Of S.F.'s South Of Market Plan

By Steve Massey
Chronicle Staff Writer

A local research firm with a free-market bent blasted a South-of-Market rezoning plan on the eve of a San Francisco supervisors committee hearing on the plan.

By preserving industrial uses and strictly limiting new offices, the rezoning plan "is static and backward looking," contends the Pacific Research Organization for Public Policy in a study for release today.

"It is based on a concept of the city which existed a decade or more ago, not today," the study says. "With the exception of the garment industry, there is little evidence" that industrial firms are seeking to locate in the district.

Release of the study was timed to coincide with hearings that begin today before the Board of Supervisors land-use committee on the proposed South-of-Market rezoning. The study sponsor, Pacific Research Institute, is a tax-exempt organization that endorses minimal government regulation.

City planner Susana Montana, principal author of the rezoning plan, dismissed the study as being written by and for people "who believe in their heart that offices are the highest and best use" for the South-of-Market district.

"The fact is, there are lot of places you can put offices, whereas the man who fixes machines, the print-shop operator, the garment manufacturer are limited only to a few industrial areas," she said.

The controversial zoning plan was adopted last month by the City Planning Commission after months of hearings and seven years of study into what could be done to protect printing and other light industries in the district.

Offices Restricted

The controls largely ban high-rises and restrict offices to the Second Street corridor and scattered sites along Townsend Street in the 50-block area roughly bounded by 13th, Townsend, First and Mission streets. Most of the area is dedicated to light industry, business services, entertainment and housing.

In its study, the Pacific Research Institute argued that the proposed rezoning unduly meddles with the economic forces that have shaped the city into a leading financial and corporate center, and it spelled out the consequences:

■ By curtailing new offices, the plan will make office space more expensive. That will benefit owners of existing downtown office buildings, but hurt property owners in the South of Market district who will be unable to sell their structures as higher priced offices.

■ By setting aside most of the South of Market for industry and services, the plan discourages adequate housing expansion in one of the few undeveloped areas in the city that can accommodate it.

Proponents of the rezoning plan say there's much opportunity for adequate office space in the city. They say also that the plan provides for housing and that without the plan, there is no guarantee that housing would be built.

Group Will Use Report

The South of Market Business Association, a vehement critic of the rezoning, has endorsed the findings of the study and will use it to further its efforts to block the controls, said executive director Tricia James.

The group, which has met with each of the three supervisors on the land-use committee, is holding a breakfast rally today and expects to have between 50 and 100 members show up and testify against the rezoning, she said.

"We're digging in for the long haul, we consider it that crucial," James said. "We're willing to consider a class-action suit against the city if we have to."

EDITORIAL

City reinforces bad image with South of Market plan

SAN FRANCISCO SEEMS HELL BENT ON TELLING THE WORLD THAT it is a rigid, bureaucratic mess and a lousy place to do business.

City officials say the opposite, but through actions, San Francisco keeps projecting its bad-for-business image.

The latest such action is the South of Market plan, an ill-conceived document that's dangerously close to becoming law. The plan would change zoning and limit office development in the area south of Market Street in San Francisco, a neighborhood historically occupied by industrial concerns. The plan, intended to preserve that industrial character, goes to the Board of Supervisors' land-use committee on Tuesday, Nov. 29. Sometime thereafter, it will go to the full board.

To architects, engineers, lawyers and a host of other businesses with offices South of Market, this plan trumpets the message that the city doesn't give a damn about where they'd like to locate or about their long-term well-being.

Many such businesses invested a lot of time and money to move to an area that has not been a white-collar address. If the plan becomes law, hundreds of businesses with offices South of Market would be reclassified as non-conforming users.

These offices could continue to operate, but any future expansions would be jeopardized. Under the plan, if firms couldn't expand within their current space, they would have to relocate to an area where office use is permitted. That area largely would be confined to a corridor along Second and Townsend streets.

San Francisco should not give businesses another reason to move to Emeryville and take their payroll taxes with them.

Property owners too would be hurt by the plan. Don Schrader, whose Schrader Iron Works Inc. has been South of Market since 1906, pays about $20,000 a year in payroll taxes and owns its building on Harrison Street, plus some other property in the area.

Real estate experts estimate the South of Market rezoning could reduce the value of many buildings by half. The kind of use allowed makes a tremendous difference in rents. Older office buildings get rents in the range of $8 to $13 a square foot a year; rents for industrial use run more like $2 to $6 a square foot.

The mere possibility that values would drop precipitously has put the holdings of Schrader, and others like him, in limbo. They can't even get their property appraised.

"Nothing's selling because nobody knows what the city will do," Schrader says. If it weren't so expensive to move, he adds, he would move his business out of the city.

The South of Market plan has been in the works for eight years, so some kind of rezoning is all-but-certain. Concerned business people can and should fight to blunt its potentially grave consequences.

We encourage business people to attend Tuesday's meeting of the land use committee — comprised of Supervisors Harry Britt, Wendy Nelder and Doris Ward — and express their concerns about the South of Market plan.

Sides disagree on plan's effect South of Market

Business group cites stranglehold; slow-growth side calls it too lenient

BY TIM TURNER

SAN FRANCISCO — The South of Market Plan, recently approved in a marathon meeting of the San Francisco Planning Commission, has opponents and proponents miffed, while others are somewhat indifferent.

The plan, which changes zoning and limits office development, is intended to preserve the industrial character of the South of Market district. It awaits final approval by the Board of Supervisors, which likely will be months away, observers said.

"We can't afford to have small business strangled," said Tricia James, executive director of the South of Market Business Association. James fears the plan will diminish property values and preclude small businesses from seeking offices in the area.

Sue Hestor, a lawyer and a leading proponent of growth restrictions in San Francisco, on the other hand, thinks the plan is too lenient and might be in violation of Proposition M, San Francisco's broad-based growth restriction ordinance.

"The line is drawn somewhat arbitrarily."

— GEORGE WILLIAMS, CITY PLANNER

George Williams, assistant director of planning in San Francisco, said the plan takes the middle ground.

"Nobody knows for sure how much space will be needed for office and light industrial uses South of Market," Williams said. "The plan represents a reasonable compromise between two valid points of view. It's a compromise and people recognize it as that."

Officials first started drafting the plan in the early 1980s when the San Francisco real estate market was booming, rents were escalating and many feared office conversions would displace the industrial flavor of the area.

About eight years later, an ordinance has been drafted that Williams said "is intended not to prohibit business, but to enhance it from a broad perspective."

Most traditional industrial businesses — heavy manufacturing and distribution/distribution facilities — already have moved to South San Francisco or the East Bay because of a land shortage and access problems. That means the "industrial" users the plan is intended to protect mostly will consist of printers and garment manufacturers.

However, since the plan first began to be drafted, the South of Market area has been infiltrated by the likes of graphic designers, architects, engineers, newspapers and non-profit organizations.

Asked which of those uses are considered office and which industrial, Williams said, "There is no clear line. It's a continuum."

Architects and engineers traditionally have been treated as office users, he said, while graphic designers are considered light industrial.

"The line is drawn somewhat arbitrarily," Williams said, but in most cases it's not difficult to tell which is which.

James, however, contended that if the plan were enacted today, half the businesses South of Market would become non-conforming.

If that happened, those businesses would be allowed to continue, she said, but the problem would come up when the business wanted to get a permit to expand.

Williams agreed that expansion for existing users might become a problem, but he added that the Planning Commission says that if a firm can't expand within its current space, it would have to relocate to an area where office use is permitted.

Under the plan, new development of office space would be confined to a corridor along Second and Townsend streets. The amount of office that would be allowed along that corridor has been redefined — mostly reduced — at least three times since 1986.

Even so, activist Hestor has a "real problem" with the amount of office space allowed under the plan.

"(The office corridor) gives a straight-out office connection (from the Financial District) to the Mission Bay area," she said. "That's something we're going to the supervisors to repeal."

Prior to the last time the office corridor was redefined, it didn't allow offices north of Townsend or south of Brannan streets, Hestor said. Her main concern is that more office space will make traffic and transit problems worse in the area.

Bruce Breitman, principal in The Breitman Co., a real estate brokerage South of Market, thinks legislating industrial or office use is unnecessary, but doesn't think the plan will make much difference in the short term, given the current supply of office space.

From a demand standpoint for the industrial space the plan would ensure, Breitman said, "there are users there," including people in the sewing, printing and film and video industry.

The only real problem Breitman sees hits the "mom and pop investors" who own buildings South of Market, he said. A rezoning from office to light industrial would greatly decrease their property values.

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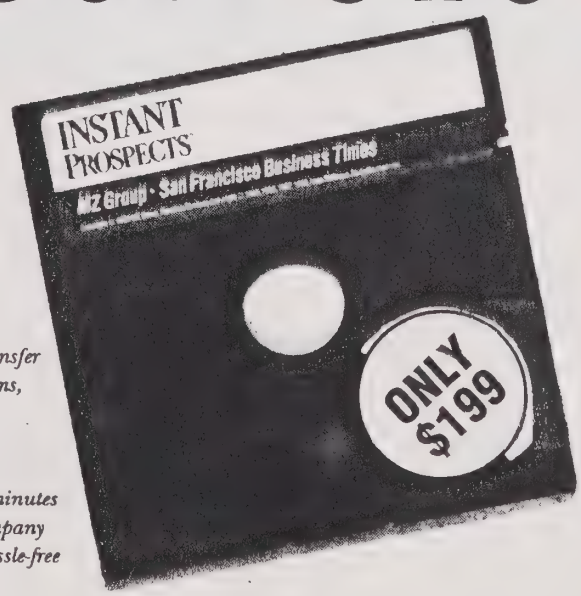

Monday, September 26, 1988

San Francisco Chronicle

BUSINESS EXTRA

CHRONICLE GRAPHIC

The City's Next Economic Frontier

South-of-Market plan stirs dispute

BY LAURA EVENSON

Chronicle Staff Writer

San Francisco is poised for one of the most colossal redevelopment efforts in its long history. Not since the city was rebuilt following the 1906 earthquake and fire has there been anything to rival it.

Over the next two decades, public and private developers plan to pump more than $7 billion into the slate-gray landscape south of Market Street — the city's next, and presumably last, economic frontier. The goal, admirable on its face but controversial in practice, is to provide an ample supply of housing and office space in this chronically overcrowded city.

For related story

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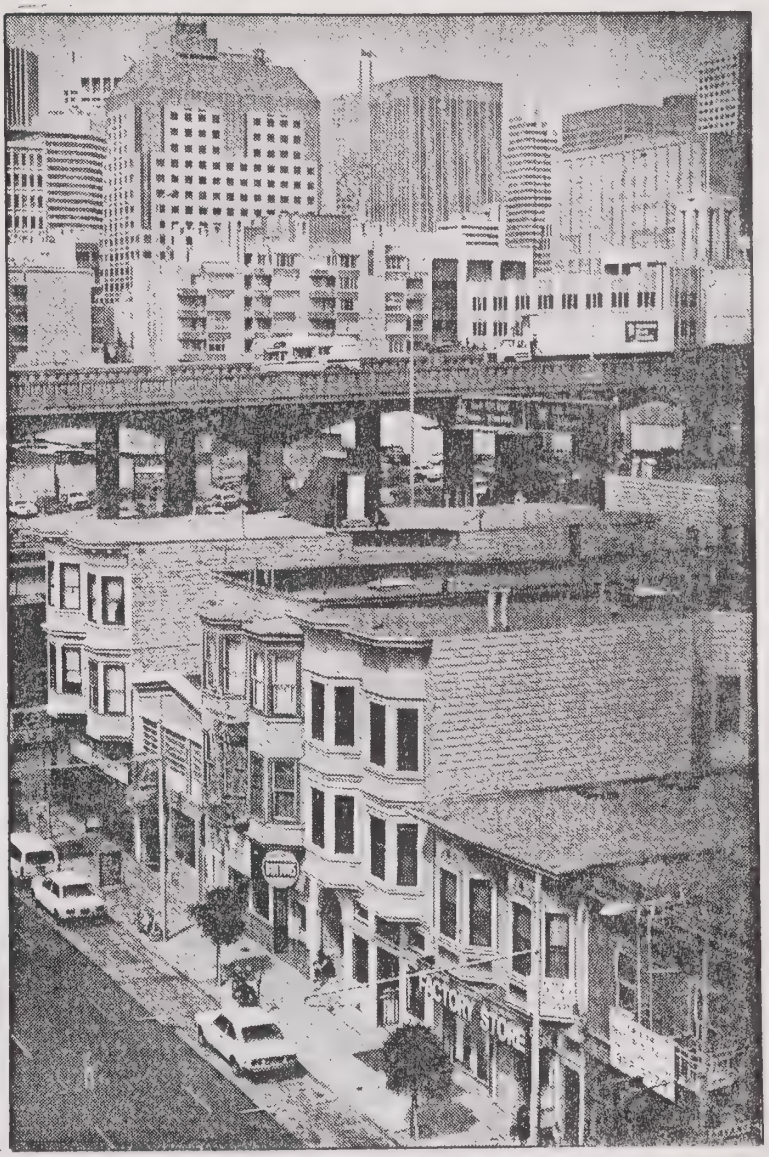
What happens south of Market will shape the pattern of San Francisco business and social interaction well into the 21st century.

Business leaders and city officials say all the various redevelopment projects taken together will encompass 1,500 acres — roughly 2½ square miles — stretching from the south side of Market Street to China Basin and along the county line.

When the last batch of concrete dries, it is estimated that the area will boast more than 15,000 new housing units, 15 million square feet of office space accommodating more than 40,000 workers, 3,000 new hotel rooms and about a million square feet of retail space.

It will be the culmination of a redevelopment scheme that took root 22 years ago when the 87-acre Yerba Buena Center was first being planned.

In a city as contentious as San Francisco, there inevitably have been hot disputes as to how — or even whether — the redevelopment scheme south of Market Street should proceed.



BY DEANNE FITZMAURICE/THE CHRONICLE

Highly-developed downtown area looms over South-of-Market 'frontier'

Uncertainty has plagued the scheme for years. The billion-dollar Yerba Buena Center, financed primarily by the Olympia & York real-estate empire and the Marriott Corp., stirred tremendous controversy when demolition to clear the area displaced hundreds of residents and small businesses.

Yerba Buena is slated for completion by 1994. Bordered roughly by Market, Harrison, Third and Fourth streets, it includes an extension of the Moscone Convention Center, 1,400 housing units, a 1,500-room Marriott hotel, public gardens and more than 100,000 square feet of retail space.

There is still a great deal of uncertainty surrounding the plans for the costliest and most ambitious redevelopment scheme of all — Mission Bay, Santa Fe Southern's proposed $2 billion project on 325 acres along the eastern shoreline.

The chief concern is whether Mission Bay's development will dovetail successfully with separate schemes affect-

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REAL ESTATE

South-of-Market Projects Still Stirring Up Disputes

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ing the territory northwest of it — the so-called South-of-Market District, which occupies most of the land in the area — as well as the adjoining South Beach and Showplace Square projects.

Mission Bay's developers may have to seek relief from the strictures of Proposition M, the slow-growth measure passed two years ago by the city's voters. The proposition limited office development in San Francisco to 475,000 square feet per year, and relief can be obtained only by polling the voters again.

Last month the city released a full environmental impact report outlining three schemes for Mission Bay. Whichever is chosen by the Board of Supervisors early next year will probably exceed the Proposition M limits. Since exemptions from Proposition M can be granted only by the voters, the project would have to go on the November 1989 ballot.

Most Viable Alternative

The most viable of the alternatives from Santa Fe's viewpoint is one which calls for 4.1 million square feet of lowrise office space; 3.6 million square feet of service, light industrial and research space; a 500-room hotel; and 250,000 square feet of retail space.

From the city's point of view, the most attractive features of this plan are 55 acres of public open space, including the 12-acre China Basin Channel, and 7,700 units of housing, which would span a range of prices and rents. Thirty percent of the units to be sold would have to be "affordable" — meaning that they could cost only a little more than $125,000.

BY FREDERIC LARSON/THE CHRONICLE

City Supervisor Bill Maher: an ardent proponent of development

Rental units would have to be priced low enough to make them affordable for households making no more than 80 percent of the city's median income. The median for a household of three currently stands at around $30,000.

Early in this decade the city administration rejected a plan by architect I. M. Pei to build a highrise city-within-a-city on the Mission Bay site. The administration felt that the scheme would simply create another Financial District, and that there were more pressing needs to be met.

Next month the City Planning Commission is expected to adopt controls for the immense South-of-Market District, which stretches roughly between First and Eleventh streets and between Mission and Townsend. (Although many people speak loosely of the entire redevelopment area as "South of Market," technically that term refers only to this one geographical location.) The controls, subject to

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SOUTHEASTERN WATERFRONT PROJECTS

Selected developments that are either proposed or under construction:

Project	Address	Type	Developer	Completion date	Cost
Mission Bay	325 acres bounded by Townsend, Seventh, Pennsylvania, Mariposa, Third streets and China Basin	**Housing:** 7,700-7,960 units **Office:** 2.6-4.1 million sq. ft. **Retail:** 300,000 sq. ft. **Light Industry:** 2.3-2.6 million sq. ft.	Santa Fe Pacific Realty Corp.	2020	$2 billion
Yerba Buena Gardens	Bounded by Third, Fourth, Market and Folsom streets	**Housing:** 300 to 500 units **Hotel:** 1,500 rooms **Office:** 1.3 million sq. ft. **Retail:** 185,000 sq. ft.	Redevelopment agency of the City and County of San Francisco and a joint venture between Olympia & York, Marriott Corp. and Beverly A. Willis	1994	$1.5 billion
Marathon Plaza	301 Second Street	**Office:** 645,000 sq. ft. **Retail:** 20,000 sq. ft.	Marathon Realty Co.	Finished	$125 million
Hills Plaza	Two Harrison Street	**Housing:** 85 units **Office:** 550,000 sq. ft. **Retail:** 40,000 sq. ft.	BetaWest Properties Inc. and Harrison Plaza Ltd.	Fall 1990	$160 million
Rincon Center	101 Spear Street	**Housing:** 320 units **Office:** 430,000 sq. ft. **Retail:** 80,000 sq. ft.	Rincon Center Associates and Perini Land Development Co.	March 1989	$155 million
South Beach Marina Apartments	Townsend and First streets	**Housing:** 414 units **Retail:** 7,800 sq. ft.	South Beach Marina Apartments Ltd.	Late 1988	$60 million
Bayside Village	Brannan and Beale streets	**Housing:** 860 units **Retail:** 15,000 sq. ft.	Forest City Dillion Inc. and General Atlantic Development Corp.	January 1990	$100 million
Delancey Street's Embarcadero Triangle	Brannan and First streets	**Housing:** 177 units **Retail:** 60,000 sq. ft.	Delancey Street Foundation	Fall 1989	$30 million
San Francisco Newspaper Agency Print Plant	Army and Marin streets	**Light industry:** 65,000 sq. ft.	S.F. Newspaper Agency	September 1989	$45 million
Gateway Pacific Maritime Center	Piers 24 and 26	**Maritime Center:** 400,000 sq. ft.	Bob Scott	1990	$35 million to $40 million
300 Beale Street Housing		**Housing:** 200 units	Condo-Store of America	Late 1989	$20 million
Rincon Hill Plaza	Harrison, Beale and Davis streets	**Housing:** 294 units **Retail:** 3,000-4,000 sq. ft.	Rincon Hill Associates	January 1990	$17 million

REAL ESTATE

South-of-Market Projects Stirring Up Disputes

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revision over the next year, will take into account any recommendations in an Environmental Impact Report that is being drawn up for the area.

City planner Susana Montana says that greater supplies of housing and so-called "back-office" space — space occupied by clerks and middle managers, not top executives — could stem the flow of middle-income jobs to the East Bay. That trend is polarizing the city's populace into those who have high-paying executive jobs and those employed as service workers.

Montana drafted the controls for the South-of-Market District. They are designed to protect industrial and service businesses — among them elevator repair shops, print shops and computer software firms that serve the downtown financial core.

She wants to limit office use to two relatively small areas — one east of Third Street and north of Townsend, the other between the south side of Brannan Street and the north side of Townsend, east of Fifth Street.

Fighting to maintain its identify in the face of all the development, current and proposed, is an older community of low-income families, artists and proprietors of blue-collar businesses. Most would prefer to see the area remain just as it is.

In the past five years, these South-of-Market veterans have been joined by an influx of new-wave nightclubs and high-tech startups. (Some say the area now qualifies as a West Coast version of New York's SoHo.) Many of the new arrivals also view the development plans with trepidation.

City Supervisor Bill Maher stands out as one of the most ardent proponents of sweeping development south of Market Street. But he also keeps a sympathetic ear peeled for possible objections to the scheme, and can justly claim to be the Great Compromiser.

He stresses that the city must address the daily concerns of each neighborhood's residents, and build consensus among them before undertaking any changes.

"The city's political mission is to emphasize transit and housing," Maher declared the other day while driving a reporter past the rows of huge warehouses that currently make up most of the South-of-Market area.

"The thing that business people forget," he went on, "is that you can't have a healthy business environment without a healthy political environment. They forget that Proposition M passed because people were so mad about highrise growth in this city. If three years earlier we had adopted the Downtown Plan" — which placed less-severe restrictions on growth — "we never would have had Proposition M."

Maher would like to see an extension of Muni transit service to the South-of-Market area via the Embarcadero. "I want them to punch a hole under Justin Herman Plaza at the foot of Market Street, hang a right and continue up the Embarcadero heading south," he said.

The new line, as Maher envisions it, would emerge through a portal just under the Embarcadero freeway stub, and run past the $160 million Hills Plaza retail and office project, due to be completed in the fall of 1990. It would continue down a median in the yet-to-be-built Embarcadero Parkway, and past the 2,000 housing units in the South Beach, Bayside Village and Delancey Street Foundation projects where Brannan and Townsend streets dead-end.

From there, the transit line could turn right again, up Townsend into the office portion of the massive Mission Bay project, or it could run down Berry or King streets.

But city planners don't expect the metro extension to occur until the Mission Bay project is well under way. "How fast it all happens," Maher said, "will depend on the government getting its act together."

He continued:

"I want us to compete with towns like Walnut Creek for back office, clerical and midlevel managerial jobs, and for that we need buildings with larger floor areas to accommodate back-office operations, and we need major new neighborhoods that'll relieve the pressure here on housing. We have to fight the battle for public support, and we can only gain that support if we provide transit and housing."

Dissenters from one or another detail of this or that development project are easy to find.

BY DEANNE FITZMAURICE/THE CHRONICLE

Tricia James, executive director of the South of Market Business Association, wants to see a greater emphasis on office space

Isabele Ugat, president of TODCO, an advocacy group demanding low-income housing for senior citizens, has lived south of Market for 33 years. She thinks the guidelines for affordable housing should be made extremely liberal.

"These days, if you make $50,000 a year, you're considered moderate income for the housing development in South Beach," she said. "Well, I don't consider that moderate."

Tricia James, executive director of the 2-year-old South of Market Business Association, wants to see a greater emphasis on office space, and less on industrial space.

She claims that there is plenty of unleased industrial space already available south of Market. "It's a noble gesture to say you want to preserve industrial uses, but where are the ones that need preservation?" she commented. "There hasn't been one light industrial or heavy industrial business owner at any of the planning meetings."

A better way to protect the area, she said, would be to "limit the size of businesses that locate there rather than limit the types of businesses, so that you have only a static core of development."

Bob Roberts, a former print-shop owner who moved his business south of Market in the late 1970s and has since turned developer, said that uncertainty over the zoning south of Market has made lenders skittish about helping developers in the area.

Sue Hestor, a lawyer who championed Proposition M, said that under current zoning proposals the city may end up with little say over who sets up shop where. "The proposal says that you can convert historic structures to office uses anywhere in the district," she said. "That's the camel under the tent."

Any such conversion would be subject to city review, but Hestor thinks office developers will have a field day. "Unless the message is loud and clear that the city wants housing and light industrial uses, the speculators are going to come in as they tried in the early 1980s."

Any entrepreneur could find several good reasons to buy land south of Market. While plenty of computer software companies, clothing outlets and video production businesses have flocked to the area, few service businesses have followed to handle the personal needs of the area's 10,000 residents and 27,000 workers.

Perhaps the people who are least vocal in all the many debates are the small business owners who already are situated south of Market. Marie McDonald, owner of McDonald Elevator Co. Inc. at 260 Dore Street, near Showplace Square, said she is so busy running her business that she doesn't have time to attend zoning meetings.

But she confirms that development in the area and the promise of a great future south of Market has strongly affected her. "Our rents here have risen tenfold in the past 12 years," she said.

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